

**JEL:** J320 Nonwage Labor Costs and Benefits; Private Pensions (fringe benefits, cost of social security, costs of hiring and firing, family support programs)

### **Contributions to Health Insurance Premiums: When Does the Employer Pay 100 Percent?**

In response to rapidly rising health insurance costs, many U.S. employers are cutting back on their contributions to premiums. Contribution levels vary across firms and the share of premiums paid by employers and employees has been a major issue in the negotiation of union contracts. Despite the problem of increased medical care costs, there are still some firms that continue to pay 100 percent of the cost of insurance premiums for their employees. The goal of this analysis is to identify the characteristics of these firms and the policies they offer.

We analyze business microdata from 1997 through 2003 from the Medical Expenditure Panel Survey – Insurance Component (MEPS-IC), which is sponsored by the Agency for Healthcare Research and Quality and collected by the U.S. Census Bureau. This survey collects establishment level data on the health insurance plans offered to employees, as well as establishment and workforce characteristics. We describe the characteristics of establishments that offer health insurance and contribute 100 percent of the premium cost for at least one of the plans they offer. Next, we look at whether the number of establishments offering health insurance at no cost to their employees has been changing. Finally, we look at the characteristics and enrollment of these plans with premiums entirely paid by employers.

This research examines employment related health insurance plans offered to employees with premiums fully funded by employers. By describing the associated establishment, workforce, and health plan characteristics over time, the analysis shows under what conditions the primary source of health insurance in the U.S. provides access with no premium contribution by employees. In turn, this will enable us to better understand changes in employee cost sharing in an era of increasing health care expenditures.